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July 1, 1985

Investment Company Act
Section 17(f)
Section 18(f)

Ms. Stephanie L. Monaco
Division of Investment Management
Securities and Exchange Commission
Judiciary Plaza
450 Fifth Street, N.W.
Washington, D.C. 20549

Act	ICA-40
Section	18(f)
Public	
Availability	8/19/85

Re: GMO Core Trust (the "Trust")--
Transactions in Stock Index Futures Contracts

Dear Ms. Monaco:

The Trust is a diversified open-end investment company which was established as a Massachusetts business trust under the laws of Massachusetts by an Agreement and Declaration of Trust dated June 24, 1985. Concurrently herewith the Trust is filing with the Securities and Exchange Commission (the "Commission") its registration statement on Form N-1A. Three copies each of the Prospectus and Statement of Additional Information included in such registration statement are enclosed herewith (the "Prospectus" and the "Statement of Additional Information," respectively).

The Trust sells its own shares to the public and is managed by Grantham, Mayo, Van Otterloo & Co. (the "Manager"). As stated in its Prospectus, the Trust's investment objective is a total return greater than that of the Standard & Poor's 500 Stock Index (the "S & P 500 Index") through investment in a broadly diversified and liquid portfolio of common stocks. The Trust may purchase futures contracts on the S & P 500 Index when the Manager believes that there are not enough attractive common stocks available to maintain the standards of diversity and

liquidity set for the Fund. By purchasing futures contracts on the S & P 500 Index, the Trust may maintain a portfolio with diversified risk without incurring the substantial brokerage costs which may be associated with investment in multiple issuers. The Trust may also avoid potential liquidity problems which may result from increases in positions already held by the Trust.

Index futures, and the commodities exchanges on which they are traded, are subject to regulation by the Commodities Futures Trading Commission ("CFTC") under the Commodities Exchange Act ("CEA"). The Trust concurrently herewith is filing with the CFTC a notice of eligibility to claim the exclusion from the definition of "commodity pool operator" in Section 2(a)(1)(A) of the CEA that is provided in Rule 4.5 under the CEA, 17 CFR § 4.5 (the "CFTC Notice").

In connection with this "no-action" letter request the Trust represents as follows:

No consideration will be paid or received by the Trust upon the purchase of an index futures contract. Initially, the Trust will be required to deposit, for the account and in the name of the broker, in a segregated account with State Street Bank and Trust Company, the Trust's custodian (State Street Bank and Trust Company and any successor custodian are referred to herein as the "Custodian"), an amount of cash or United States Treasury bills which generally is equal to approximately 5% of the contract amount. This amount is known as initial margin. The nature of initial margin in futures transactions is different from that of margin in security transactions in that futures contracts margin does not involve the borrowing of funds by the customer to finance the transactions. The initial margin is in the nature of a performance bond or good faith deposit on the contract which is returned to the Trust upon termination of the futures contract, assuming all contractual obligations have been satisfied. Subsequent payments, called variation margin, to and from the broker, a process known as "marking to market," will be made on a daily basis as the price of the futures contract fluctuates, thereby making the positions in the futures contract more or less valuable. Variation margin does not represent a borrowing of or loan by the Trust but is instead the daily settlement between the Trust and the broker of the amount one would owe the other if on such day the contract expired. The broker has access to the amount of initial margin on deposit only if the Trust defaults in making payments of

variation margin, and only after notice given by the broker to the Trust accompanied by the broker's statement to the Custodian that all conditions precedent to its rights to reach the initial margin have been satisfied.

The Trust undertakes that, on the occasions that it has the right to receive variation margin payments from the broker, it will promptly demand payment by the broker of such amounts upon notification by the broker that such amounts are payable. Any such funds received by the Trust will be held by the Custodian. At any time prior to expiration of the futures contract the Trust may elect to close the position by taking an opposite position, which will operate to terminate the Trust's position in the futures contract. A final determination of variation margin will then be made, and if additional cash is required to be paid by or released to the Trust, the Trust will realize a loss or a gain.

The Trust's futures contracts are governed by the terms and conditions of such contracts determined by the exchanges on which such contracts are traded, and its futures positions are evidenced by confirmations of transactions received from the executing broker. The Trust undertakes that the Custodian will have copies of such exchange terms and conditions and that the Custodian will have possession of such confirmations.

The Trust further represents that it stated in its CFTC Notice that it will not purchase or sell futures contracts if, immediately thereafter, the sum of the amount of initial margin deposits on the Fund's existing futures contracts would exceed 5% of the market value of the Trust's total assets.

The Trust represents that, in connection with its purchase of futures contracts, it will deposit cash or money market instruments equal to the market value of the futures contracts purchased (less any margin deposits thereon, which are held by the Custodian in a separate segregated account) in a segregated account with the Custodian to collateralize such long positions. Such deposited assets will not be used to support any other transactions in which the Trust may engage. Collateralization of long futures contracts which it has purchased prevents the Trust from leveraging through the use of such futures and related options. Collateralization to insure that the Trust's use of such instruments is unleveraged is consistent with the conditions

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which the Commission prescribed in Investment Company Act Release No. 10666 ("Release No. 1066") to prevent investment companies from leveraging through the use of reverse repurchase agreements, standby commitments and similar arrangements.

Section 18(f)(1) of the 1940 Act limits the issuance of senior securities by an open-end registered investment company. An index futures contract may, because of the Trust's contingent obligation to pay variation margin during the life of the contract, constitute a "senior security" (as that term is defined in Section 18(g) of the Act) for the purpose of Section 18(f). Since such an obligation would not run to a bank, the purchase of a futures contract by the Trust may constitute the issuance of a senior security by the Trust in violation of Section 18(f)(1) of the Act. In addition, to the extent that variation margin payments to the Trust in connection with a futures contract are held overnight by a broker, the Trust may be unable to comply with the provisions of Section 17(f) of the Act.

The Trust requests your advice to the effect that the Division of Investment Management would not recommend enforcement action to the Securities and Exchange Commission under the provisions of Section 18(f)(1) and 17(f) of the Act with respect to the Trust's proposed transactions in index futures contracts.

The Trust does not believe that is a settled question whether index futures contracts are "securities" within the meaning of Section 2(a)(36) of the Act. If such contracts are not securities under Section 2(a)(36), they cannot constitute "senior securities" under Section 18(g) or be subject to regulation under Section 18(f)(1). Even if such contracts are securities under Section 2(a)(36), and further are considered to be senior securities under Section 18(f) of the Act, the proposed use by and limitations on the Trust with respect to such contracts do not give rise to the speculative abuses which Section 18(f)(1) was designed to prevent. The limitations on the Trust's use of such contracts and the requirement, in connection with the purchase of a futures contract, that the Trust deposit in a segregated account cash or cash equivalents equal to the market value of such futures contract are, in fact, consistent with the procedures set forth in Release No. 10666 to minimize the speculative aspects of the leveraged investments which were the subject of Release No. 10666.

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The Trust also believes that, if index futures contracts are "securities" or "similar investments" within the meaning of Section 17(f) of the Act, separate custodian, safekeeping and procedural agreements among the Trust, the Custodian and the futures commission merchant, pursuant to which the Trust's margin deposits are held by the Custodian subject to disposition by the futures commission merchant in accordance with the CFTC Rules and the rules of the applicable commodities exchange, will be consistent with the provisions of Section 17(f).

We refer you to the following no-action letters previously issued by the staff of the Commission with respect to the foregoing issues. IDS Bond Fund, Inc. (available April 11, 1983), SteinRoe Bond Fund, Inc. (available January 17, 1984), Pension Hedge Fund, Inc. (available January 20, 1984), Z-Seven Fund Inc. (available May 21, 1984), Colonial Option Growth Trust (available June 15, 1984), Colonial Government Securities Plus Trust (available June 15, 1984), Colonial Option Income Trust -- Portfolio II (available September 10, 1984), Pilot Fund, Inc. (available October 22, 1984), Monitrend Fund (available November 14, 1984), Colonial Tax-Managed Trust (available December 31, 1984), Koenig Tax-Advantaged Liquidity Fund, Inc. (available March 27, 1985), Prudential-Bache Government Plus Fund, Inc. (available April 1, 1985).

Your advice is requested to the effect that the Division of Investment Management would not recommend enforcement action to the Securities and Exchange Commission under the provisions of Section 18(f)(1) or 17(f) of the Act with respect to the Trust's proposed transactions in index futures contracts.

Ms. Stephanie L. Monaco

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If further information is required with respect to this request, please contact the undersigned or Peter MacDougall of this office.

Please date-stamp the enclosed copy of this letter to indicate receipt of this filing and return the stamped copy to the messenger making the filing.

Thank you.

Very truly yours,

J. B. Kittredge
J.B. Kittredge *af 7/12/85*

Enclosures

cc: R. Jeremy Grantham
Kingsley Durant
Donald W. Glazer
Robert D. Guidod
Susan A. Johnson
Peter MacDougall

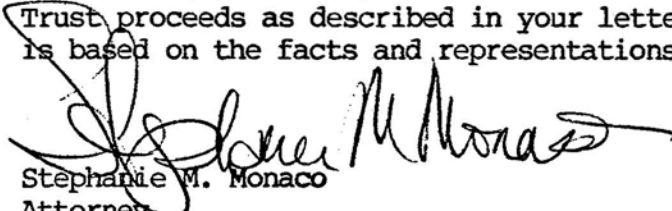
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RESPONSE OF THE OFFICE OF CHIEF COUNSEL
DIVISION OF INVESTMENT MANAGEMENT

Our Ref. No. 85-364-CC
GMO Core Trust
File No. 811-4347

We would not recommend any enforcement action to the Commission under section 17(f) or 18(f) of the Investment Company Act of 1940 if GMO Core Trust proceeds as described in your letter of July 1, 1985. Our position is based on the facts and representations contained in that letter.


Stephanie M. Monaco
Attorney